

E.R. SQUIBB & SONS LTD.  
AND SUBSIDIARY COMPANIES

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## Consolidated Statement of Income and Retained Earnings

Year ended November 30, 1972  
with comparative figures for 1971

	1972	1971
Sales	<u>\$ 11,351,411</u>	<u>9,813,288</u>
Income before the undernoted items	\$ 1,180,331	951,071
Deduct:		
Depreciation	100,363	91,676
Interest on long-term bank loan	<u>78,164</u>	<u>245,930</u>
	178,527	337,606
Income before income taxes (and extraordinary credit in 1971)	1,001,804	613,465
Provision for income taxes:		
Current	476,561	280,796
Deferred	<u>14,400</u>	<u>28,800</u>
	490,961	309,596
Net income (before extraordinary credit in 1971)	510,843	303,869
Gain on sale of land	-	490,416
Net income	<u>510,843</u>	<u>794,285</u>
Retained earnings at beginning of year	3,345,512	2,551,227
Retained earnings at end of year	<u>\$ 3,856,355</u>	<u>3,345,512</u>

See accompanying notes to consolidated financial statements.

results are from



E.R. SQUIBB & SONS LTD.  
AND SUBSIDIARY COMPANIES

Consolidated Statement of Source and Application of Funds

Year ended November 30, 1972  
with comparative figures for 1971

	<u>1972</u>	<u>1971</u>
<b>Funds provided:</b>		
Net income (before extraordinary credit in 1971)	\$ 510,843	303,869
Add charges not requiring cash expenditure:		
Depreciation	100,363	91,676
Loss on disposal of fixed assets	2,528	8,427
Deferred income taxes	<u>14,400</u>	<u>28,800</u>
Funds provided from operations	117,291	432,772
Proceeds of 4% note payable	2,941,176	-
Proceeds from sale of fixed assets	1,923	618,882
Repayment of mortgage receivable (note 2)	745,125	-
Adjustment in mortgage payable	<u>-</u>	<u>685</u>
Total funds provided	<u>4,316,358</u>	<u>1,052,339</u>
<b>Funds used:</b>		
Repayment of mortgage payable	705	-
Repayment of long-term bank loan	3,000,000	-
Purchase of fixed assets	132,130	227,846
Increase in mortgage receivable	<u>-</u>	<u>436,425</u>
Total funds used	<u>3,132,835</u>	<u>664,271</u>
Increase in working capital	<u>\$ 1,183,523</u>	<u>388,068</u>

See accompanying notes to consolidated financial statements.



E.R. SQUIBB & SONS LTD.  
AND SUBSIDIARY COMPANIES

Notes to Consolidated Financial Statements

November 30, 1972

(1) The consolidated accounts include the accounts of the subsidiary companies, both of which are wholly-owned. Inter-company balances and transactions have been eliminated upon consolidation.

(2) The mortgage receivable at November 30, 1971 was originally repayable in four equal instalments commencing September 15, 1973. A substantial proportion was collected prior to November 30, 1972. The balance is now anticipated to be collected within the succeeding twelve months and accordingly has been included in current assets at November 30, 1972.

(3) Property, plant and equipment:

	Depreciation Rate	1972	1971
Land	-	\$ 148,167	148,167
Land improvements	4%	11,307	5,027
Buildings	2%	2,034,891	2,040,183
Machinery and equipment	6½%	759,593	698,880
Office furniture and equipment	10%	323,320	340,105
Automobiles and trucks	25%	10,380	15,475
		\$ 3,337,658	3,247,837

Depreciation is charged in the accounts at the above rates on a straight line basis over the life of the individual assets.

(4) The mortgage is repayable in monthly instalments, currently \$429, covering principal, interest and real estate taxes. The amount of principal expected to be repaid in the ensuing twelve months is not significant and accordingly no amount has been reclassified into current liabilities.

(5) The company has paid income tax assessments totalling \$119,800 which are being appealed. If the appeals are unsuccessful, additional assessments may be received. The amount of any such additional assessment, which is not provided for, would be approximately \$84,000 and accrued interest of \$15,000.

(6) Current assets and current liabilities stated in U.S. dollars have been translated into Canadian dollars at the rate of U.S. \$1.02 equals Cdn. \$1.00, which was approximately the rate prevailing at November 30, 1972. The 4% note payable was translated at the rate prevailing at the date the transaction took place.



E.R. SQUIBB & SONS LTD.  
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Notes to Consolidated Financial Statements, Continued

(7) Directors and officers:

	<u>1972</u>	<u>1971</u>
Remuneration of officers as officers	\$ 44,734	42,896
Number of officers	3	3
Remuneration of directors who are not officers	48,280	47,536
Total number of directors	5	5
Number of officers who are also directors	2	2

No remuneration was paid by the subsidiary companies.



When you get  
a chance

PEAT, MARWICK, MITCHELL & Co.

CHARTERED ACCOUNTANTS

1155 DORCHESTER BLVD. WEST  
MONTREAL 102, QUEBEC



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Figures are from a  
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AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of E.R. Squibb & Sons Ltd. and subsidiary companies as of November 30, 1972 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies at November 30, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

Chartered Accountants.

Montreal, Que.  
January 5, 1973



Consolidated

November  
with comparative

<u>Assets</u>	<u>1972</u>	<u>1971</u>
<b>Current assets:</b>		
Cash	\$ 510,416	339,178
Short-term deposits	325,000	25,000
<b>Receivables:</b>		
Trade	2,338,589	2,185,272
Affiliated companies (U.S. \$969,775)	947,161	984,330
Income taxes recoverable	-	20,901
5% mortgage receivable and accrued interest thereon (note 2)	228,768	-
Other	<u>30,641</u>	<u>57,491</u>
Less allowance for doubtful items	3,545,159	3,247,994
Net receivables	<u>61,808</u>	<u>52,652</u>
<b>Inventories, at the lower of cost or net realizable value:</b>		
Raw materials and supplies	1,299,471	1,433,796
Work in process	251,140	312,495
Finished products	1,556,244	837,084
Total inventories	3,106,855	2,583,375
<b>Prepaid expenses</b>	<u>176,636</u>	<u>87,566</u>
<b>Total current assets</b>	7,602,258	6,230,461
<b>Mortgage receivable and accrued interest thereon (note 2)</b>	-	745,125
<b>Cost of option to acquire shares, expiring December 31, 1975</b>	75,000	75,000
<b>Property, plant and equipment, at cost (note 3)</b>	3,337,658	3,247,837
Less accumulated depreciation	<u>1,113,840</u>	<u>1,051,335</u>
	2,223,818	2,196,502
<b>Intangible assets:</b>		
Excess of cost of investment in subsidiary company over underlying net assets at date of acquisition	<u>307,223</u>	<u>307,223</u>
Goodwill of a subsidiary	<u>81,000</u>	<u>81,000</u>
	388,223	388,223
	<u>\$ 10,289,299</u>	<u>9,635,311</u>

See accompanying notes to consolidated financial statements.

On behalf of the



### Balance Sheet

0, 1972  
figures for 1971



## Liabilities and Shareholders' Equity

	<u>1972</u>	<u>1971</u>
Current liabilities:		
Notes payable - banks	\$ -	500,000
Accounts payable	280,954	250,135
Accounts payable - parent and affiliated companies (U.S. \$2,451,595)	2,390,970	1,857,262
Accrued liabilities	283,728	238,947
Income taxes payable	<u>199,987</u>	<u>121,021</u>
Total current liabilities	3,155,639	2,967,365
Bank loan	-	3,000,000
4% note, payable to an affiliated company, due November 30, 1977 (U.S. \$3,000,000)	2,941,176	-
Mortgage payable, 6 $\frac{3}{4}$ % due August 1, 1989 (note 4)	31,929	32,634
Deferred income taxes	299,200	284,800
Shareholders' equity:		
Capital stock:		
Common stock, par value \$100 per share.		
Authorized 500 shares; issued 50 shares	5,000	5,000
Retained earnings - per accompanying statement	<u>3,856,355</u>	<u>3,345,512</u>
Total shareholders' equity	3,861,355	3,350,512
Contingent liability (note 5)		
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	\$ 10,289,299	9,635,311

board:

..... Director.

..... Director.

